

1960

holdings of long-term bonds. In periods of tight money, interest rates will rise, the capital value of the bonds will fall, and then the bonds cannot be sold except at a capital loss. He still does not consider that, given fluctuating interest rates, people will see the possibility of such short-trading and be reluctant to buy the bonds in the first place.

There is no more.

The judgment to be rendered would seem to me clear. Mr. Nixon has done nothing. Not in seeking to persuade us that he has done something does he show a high regard for our intelligence. For anyone who respects his fellow citizens could hardly expect them to buy this blend of nothingness. Perhaps it will be said in Mr. Nixon's behalf—as so often before—that this is a subject on which he has not yet matured. So it may be. But even his friends will be forced to agree that this failure is the most mature example of such immaturity.

Let me add, also, that the finding of failure is my own judgment. Economics is an imperfect science. Anyone who claims that his economic judgments are emotionally detached, politically impartial, and otherwise objective is himself suspect. But I would strongly urge anyone who disagrees with the present judgment of Mr. Nixon's reports, or even suspects that he might be getting them from the White House and read them thoughtfully and with care.

#### COMPTROLLER GENERAL RECOMMENDATIONS TO SBA

Mr. PROXMIER. Mr. President, as chairman of the Small Business Subcommittee of the Banking and Currency Committee, I am aware of the interest Senators have in the competent and efficient operation of the Small Business Administration.

Recently Mr. Joseph Campbell, the Comptroller General, has completed a review of the financial assistance activities in five field offices of the SBA. Mr. Campbell sent me a copy of the report, and then summarized his findings and recommendations in a brief letter.

For the information of the Senate, I ask unanimous consent that a copy of this letter be printed in the Record at this point, together with a copy of a letter I have written to the now Administrator of SBA, Philip McCallum.

There being no objection, the letters were ordered printed in the Record, as follows:

COMPTROLLER GENERAL  
OF THE UNITED STATES  
Washington, D.C., January 20, 1960.

B-114835.  
Hon. WILLIAM PROXMIER,  
Chairman, Subcommittee on Small Business,  
Committee on Banking and Currency,  
U.S. Senate.

DEAR MR. CHAIRMAN: Herewith for the use of your subcommittee is a copy of our report to the Congress on the review of the financial assistance activities in five field offices of the Small Business Administration (SBA) made during the latter months of calendar year 1958.

Our examination showed that certain areas in the administration of financial assistance activities in the field offices would be strengthened and more effectively carried out by compliance with SBA's own regulations. To achieve better administration of the financial assistance activities, we recommended during our audit that the Administrator, Small Business Administration, take action to provide for closer supervision over

the regional offices with a view to obtaining compliance with these regulations. The Administrator informed us that he was in general agreement with our recommendations and would take corrective action. He also agreed to study our recommendations that independently audited financial statements be required of prospective borrowers as a prerequisite to loan authorization on larger loans. A summary of our findings begins on page 8.

Sincerely yours,  
Joseph M. Campbell,  
Comptroller General of the United States.

JANUARY 20, 1960.

Mr. PHILIP McCallum,  
Administrator, Small Business Administration,  
Washington, D.C.  
Dear Mr. Administrator: Mr. Joseph Campbell, Comptroller General, has recently written me to forward a copy of a report to Congress of his review of financial assistance activities in five field offices of the Small Business Administration, during the calendar year 1958.

In a covering letter he had summarized his recommendations suggesting: one, that the Administrator of the Small Business Administration take action to provide for closer supervision over the regional offices with a view to obtaining compliance with the SBA's own regulations; two, that independently audited financial statements be required of prospective borrowers as a prerequisite to loan authorizations on larger loans.

Mr. Campbell writes me, and I quote: "The Administrator informed us that he was in general agreement with our recommendations and would take corrective action." This is with reference to number one above, that the Administrator of the SBA's regulations in connection with the independent audits he writes me that the Administrator agreed to study the recommendations.

I would very much appreciate being kept informed on both of these matters. Can you tell me at your earliest convenience what action has been taken to provide closer supervision over regional offices to secure greater compliance with the SBA's regulations? Also, would you write me to tell me of the results of your study on the recommendation for independent audits?

I am reluctant to impose unnecessary work on a hardworking agency, and I feel responsible for being kept fully informed of recommendations as far as these are concerned here, particularly since they come from a source as responsible and authoritative as the Comptroller General of the United States.

Sincerely yours,  
WILLIAM PROXMIER,  
U.S. Senator.

#### USE OF MISUSE OF INTELLIGENCE INFORMATION

Mr. SALTONSTALL. On January 27 the Senator from Missouri [Mr. STANBURN] under the title of "The Misuse of Intelligence Information"—page 1233—stated in part:

"Mr. President, the American people are being misled down the trail of insecurity by the issuance of misinformation about our deterrent power, and specifically about the missile gap."

The intelligence books have been handled so the budget books may be handled.

I realize, Mr. President, that this is a political year and there will naturally be many differences of opinion based on politics, but I feel very strongly that discussion concerning our defense programs must be carefully judged on information

as properly secured as is possible to do, and that the arguments should not be based on partisan differences.

There are, in my opinion, no more trustworthy citizens and public officials than Mr. Allen W. Dulles, Director of CIA; Thomas H. Gates, Jr., Secretary of Defense; Maurice Stans, Director of the Budget; and, finally, the President of the United States, Dwight Eisenhower. It is my opinion, in my opinion, that any of these dedicated men would "juggle" intelligence so that budget books may be balanced.

The Senator from Missouri states that our intelligence estimates have now been revised so that they are based on intention rather than on capability. Relative to this point, Mr. Dulles, in a speech made in New York on January 26 before the Institute of Aeronautical Sciences stated:

The best one can do is to see that one's hitting average is relatively high, that the predictable and the calculable are stated with the degree of certainty that the evidence permits, and that the best that one can distill out of available facts is brought concisely, objectively, and quickly to those who have the responsibility for policy and action.

Furthermore, he said:

The analysis of any given Soviet weapons system involves a number of judgments. These include Soviet capability to produce the system; probable Soviet inventories of the weapons systems of today; the role assigned to this system in Soviet military planning; the requirements the Soviet high command may lay down for the weapon over the future. All these judgments are to some degree interdependent. They lead to a calculation of how far and how soon the Soviets are likely to develop the system. Manifestly this kind of estimating is of the highest importance to our own planning.

After providing this background, Mr. Dulles comes to our specific point:

Consequently in our estimates we generally stress capabilities in the early stages of Soviet weapons development and then, as more hard facts are available, we estimate their probable programming, sometimes referred to as intentions.

These quotations indicate Mr. Dulles' detailed understanding of the intelligence field. It is clear, in my opinion, that he emphasizes judgments and estimates based on the coordination of several different categories of intelligence. Enemy intentions certainly play an important role—it would be dangerous to overlook an assessment of our opponent's plan of how to use his capabilities.

I have in mind the intelligence concerning the Soviets long-range airplanes in 1954. Their capability to produce was greater than ours. We went ahead to produce our B-52's, and thus have a much larger inventory of them today. The Russians, however, failed to activate the production schedules we had anticipated. It is clear, therefore, that while their capability indicated one course of action, their intentions determined a different course.

Implicit in the Senator from Missouri's speech of the other day is the idea that capability is no longer being taken into consideration by our Defense officials. It is important to point out that this is